Major Management Challenges – Summary

The Department's Office of Inspector General, an independent entity, evaluates VA's programs and operations. The OIG-identified Major Management Challenges for 2005 are summarized below by strategic goal together with VA's responses. For further details on OIG-identified Major Management Challenges, please see www.va.gov/budget/report/MMC_Complete.pdf.

Major Management Challenges - OIG	
OIG SUMMARY TABLE	
Major Findings & Recommendations	**Responses**
Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans	
OIG#2 - Benefits Processing Area Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #2A - State Variances in VA Disability Compensation Programs	
- In May 2005, we issued the report on state variances in VA disability compensation payments. Our analysis showed that some disabilities are inherently more susceptible to variations in rating determinations. This is attributed to a combination of factors, including a disability rating schedule based on a 60-year-old model and some diagnostic conditions that lend themselves to more subjective decision-making. - Data showed that the variance in 100 percent post-traumatic stress disorder (PTSD) cases is a primary factor contributing to the variances in average annual compensation payments by state. We concluded that 25 percent of the 2,100 PTSD claims reviewed had insufficient verification of claimed service-related stressors. VBA's quality review program did not detect the problems we found in PTSD cases. - We made eight recommendations to VBA including that it conduct a scientifically sound study of influences on compensation payments and develop methods and data to monitor and address variances. - VBA is in the process of addressing the eight unimplemented recommendations identified in our report. VBA is reviewing the same 2,100 PTSD claims used in our May 2005 report. VBA has referred cases from the first stage of their review to regional offices for additional development and corrective actions.	- VBA is in the process of addressing the recommendations identified by the OIG by taking the following actions: - We are currently reviewing the same 2,100 PTSD cases reviewed by the OIG reviewed to obtain a better understanding of the deficiencies found by the OIG so that additional training and guidance can be provided to staff. - In 2006, VBA will begin reviewing specific cases during site visits to identify the disability evaluations most prone to inconsistency. - VBA will also analyze rating and claims data on an ongoing basis to identify any unusual patterns or variance by regional office or diagnostic code for further review. - VA's Office of Policy has initiated a contract with the Institute for Defense Analysis to conduct a scientific study in response to the OIG's recommendation.

Major Management Challenges - OIG

OIG SUMMARY TABLE

Major Findings & Recommendations	Responses
Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans, continued	
OIG#2 - Benefits Processing Area, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #2B - Compensation and Pension Timeliness	

Major Findings & Recommendations	Responses
• Although VA had made some progress in addressing its claims processing backlog, its efforts have been impeded by a variety of issues to include the complexity of claims, a court decision, and the war on terrorism. • VBA reported 418,000 total claims pending in June 2003, then the backlog increased to 469,000 as of June 2004, and then to over 504,000 by the end of September 2005. When examining just the rating related claims pending, VBA reported 253,000 for September 2003, an increase to 321,000 as of September 2004, and a total of over 346,000 by the end of September 2005. • VA credits improvements in reducing backlogs from the original peak to the reforms recommended by the Secretary's Claims Processing Task Force report of October 2001. • As of August 2005, VBA reported all approved task force recommendations have been implemented. • In light of VBA's assertion that all VA Task Force recommendations were implemented, we will initiate a review to determine why pending claims have increased in the past 2 years and to measure the relevancy of VA Task Force recommendations to the increase in pending claims, or if new barriers to timely claims processing exist. • While the number of claims pending rating decisions has increased, Compensation and Pension (C&P) rating actions that averaged 189 days for completion in January 2004 are averaging 167 days as of September 2005, demonstrating improvement in the timeliness of claims processing.	• Progress in achieving timeliness and inventory goals is significantly affected by the increasing numbers of claims being received and the increased complexity of those claims. • The number of veterans filing initial disability compensation claims and claims for increased benefits has increased every year since 2000. • Complexity is a factor, particularly because of evolving legal interpretations of requirements issued by the Court of Appeals for Veterans Claims such as the ruling that required decisions on issues not claimed by the veteran but which are "reasonably raised by the medical evidence of record" ("inferred issues"). • The Veterans Claims Assistance Act, passed in November 2000, increased VA's notification and development duties considerably, adding more steps to the claims process and lengthening the time it takes to develop and decide a claim and also requiring that VA review the claims at more points in the decision process. • In addition to the increased volume and complexity of claims, the number of conditions for which veterans claim entitlement to disability compensation continues to increase.

Major Management Challenges - OIG	

OIG SUMMARY TABLE

Major Findings & Recommendations	Responses

Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans, continued

OIG #2 - Benefits Processing Area, continued
Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)

OIG #2C - Compensation and Pension Program's Internal Controls

Major Findings & Recommendations	Responses
• In 1999, the Under Secretary for Benefits asked the OIG for assistance to help identify internal control weaknesses that might facilitate, or result in, fraud in VBA's C&P program. • In our July 2000 follow-up report, we identified that 16 of the 18 previously reported categories of vulnerability remained present at VA's largest VA regional office (VARO). After over 5 years, 2 of 26 recommendations remain unimplemented. • In 2005 C&P internal controls continue to be identified as a weakness during OIG Combined Assessment Program (CAP) reviews at VAROs. Specifically, physical security controls over sensitive records needed improvement at 10 of 16 facilities. • Since VBA points to VETSNET as an important step in strengthening internal controls, the OIG Office of Audit will be evaluating VETSNET design, development, and project management to determine if the application met design specifications, achieved project milestones, and improved accuracy of benefit payments.	• The two recommendations not fully implemented are tied to implementation of the VETSNET Award application. VETSNET is a combination of applications being deployed to replace the current Benefits Delivery Network. • The first recommendation is related to systemic controls over adjudication of employee claims at the employing VARO. At the present time, VETSNET Award is being tested in two facilities that do not share employee-veteran jurisdiction. The projected completion date for testing is December 2005. • The second recommendation requires the use of an automated third-person authorization control to monitor payments greater than $25,000. VBA provided further support for closing the recommendation based on the interim C&P large-payment review process instituted in 2001. This process continues to be reviewed during C&P Service site visits and is also validated through the OIG CAP review process. VETSNET Award implementation is slated for December 2006. • Regarding weaknesses identified by OIG CAP reviews, the C&P Service reviews OIG findings prior to all site visits and follows up to determine if the CAP review findings have been corrected. VAROs are required to provide an implementation plan for the noted action items within 60 days from the date of the report.

Major Management Challenges - OIG

OIG Summary Table

Major Findings & Recommendations	Responses

Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans, continued

OIG #2 - Benefits Processing Area, continued
Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)

OIG #2D - Fugitive Felon Program

Major Findings & Recommendations	Responses
• Public Law 107-103, The Veterans Education and Benefits Expansion Act of 2001, enacted December 27, 2001, prohibits veterans who are fugitive felons, or their dependents, from receiving specified veterans benefits. • As of May 2005, more than 6.9 million warrant files have been matched to more than 11 million records contained in VA benefit system files. The records match resulted in 17,469 referrals to various law enforcement agencies and led to the apprehension of 872 fugitive felons, including the arrest of 58 VA employees. In addition, 13,509 fugitive felons identified in these matches have been referred to VA for benefit suspension resulting in the creation of $79 million identified for recovery and an estimated cost avoidance of $174.5 million. • As of June 2005, VHA received over 7,800 referrals from the VA OIG. VHA's handbook outlining procedures for the Fugitive Felon program was approved in December 2004, and we now expect full implementation by VHA. We view the Fugitive Felon program as fully implemented in VBA and agree it is no longer a major management challenge there, but our assessment of implementation in VHA continues.	• VBA continues to work closely with the OIG in implementing the Fugitive Felon program. • VHA provided copies of the VHA Fugitive Felon Program Handbook published in January 2005 to network directors and also provided copies of fugitive felon listings at the end of June 2005. Networks are now validating warrants.

Strategic Goal #2: Smooth Transition to Civilian Life

The OIG did not identify Major Management Challenges related to this goal.

Major Management Challenges - OIG	
OIG SUMMARY TABLE	
Major Findings & Recommendations	**Responses**

Strategic Goal #3: Honoring, Serving, and Memorializing Veterans	
OIG #1 - Health Care Delivery Area Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #1A - Part-Time Physician Time and Attendance	
• Our April 2003 report identified VA physicians who were not present during their scheduled tours of duty, were not providing VA the services obligated by their employment agreement, or were "moonlighting" on VA time. • Over 2 years later, 5 of 12 recommendations from our 2003 report to improve physician timekeeping remain unimplemented. • OIG CAP reviews have assessed physician time and attendance issues at about 70 facilities nationwide and identified deficiencies at over 30.	• VHA Directive 2003-1, *Time and Attendance for Part-time Physicians*, reiterates existing human resources policy and suggests methods of documenting time and attendance and the proper roles for part-time physicians. • Elimination of core hours for those part-time physicians on alternative work schedules was agreed upon by all relevant organizational elements. The new policy is documented in revisions to three VA handbooks. These revised policies are expected to be released nationally in October 2005. • A period of 60 to 90 days will be needed after the issuance of the policies to allow installation and debugging of the software and completion of necessary training.
OIG #1B - Staffing Guidelines	
• The absence of staffing standards for physicians and nurses continues to impair VHA's ability to adequately manage medical resources. Public Law 107-135, Department of Veterans Affairs Health Care Program Enhancement Act of 2001, enacted on January 23, 2002, requires VA to establish a policy to ensure that staffing for physicians and nurses at VA medical facilities is adequate to provide veterans appropriate, high-quality care and services. • After over 2 years, four of five recommendations relating to physician staffing remain unimplemented from our April 2003 part-time physician time and attendance report. • Our August 2004 evaluation of nurse staffing found that managers could have managed their resources better in providing patient care if VHA had developed and implemented consistent staffing methodologies, standards, and data systems. Currently, 11 of 14 recommendations for improvement remain unimplemented. • The OIG continues to work with VHA to review their proposed policy due to concerns over compliance with the intent of Public Law 107-135, particularly with respect to national standards for nurse staffing; the length of time VHA projects to establish a complete set of staffing standards; and questions over the need to develop new data systems versus using existing data resources, such as Decision Support System in a consistent manner.	• VA has developed a proposed policy to meet the requirement of Public Law 107-135. The policy relates staffing levels and staff mix to patient outcomes and other performance measures. Under this proposed policy, all VHA facilities would be required to develop a written staffing plan for each distinct unit of patient care or health services. • Currently there are no information management systems available that would support nationwide standardized staffing plans for health care providers in varied care settings. However, the workload and patient outcome indicators in the staffing plans required under this directive and other related systems will be used to provide the basis for aggregate reviews at the local, network, and national levels. • It is anticipated that systems for the collection and analysis of this information will be developed in phases over a 4-year period and that they will be in place by September 30, 2009.

Major Management Challenges - OIG	
OIG Summary Table	
Major Findings & Recommendations	**Responses**
Strategic Goal #3: Honoring, Serving, and Memorializing Veterans, continued	

OIG #1 - Health Care Delivery Area, continued
Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)

OIG #1C - Quality Management	
• While we found improvements in Quality Management (QM) programs, our July 2004 summary report found that facility managers need to strengthen QM programs through increased attention to the disclosure of adverse events, the utilization management program, the patient complaints program, and medical record documentation reviews. • Currently, of the report's six recommendations, the one to establish a national policy for disclosing adverse events to patients remains unimplemented. • In 2005 we reported QM deficiencies at six VA medical centers (VAMCs). We continued to identify problems with disclosure of adverse events, data collection, trending and analyses, and the patient complaints program.	• A new national policy on communication of adverse events will be issued in the first quarter of 2006. Within 6 months of its issuance, each facility will issue its own policy based on the national directive.

OIG #1D - Long-Term Health Care	
• We completed reviews in December 2002, involving VHA's Community Nursing Home (CNH) program; in December 2003, involving Homemaker/Home Health Aide (H/HHA) program; and in May 2004, involving VHA's Community Residential Care (CRC) program. We identified issues warranting VHA's attention in all three reviews. • We made recommendations to clarify and strengthen the VHA CNH oversight process and to reduce the risk of adverse incidents for veterans in CNHs. After almost 3 years, 3 of 11 recommendations for improvement still remain unimplemented. • We found VHA's H/HHA program also needed improvements. We inspected the program at 17 VA medical facilities and found that 14 percent of the patients receiving program services in our sample did not meet clinical eligibility requirements. After almost 2 years, two of four recommendations for improvement remain unimplemented. • In our May 2004 CRC report, we found VAMC inspection teams did not consistently inspect their CRC homes. Currently, 4 of 11 recommendations for improvement remain unimplemented.	• VHA has continued its implementation of actions outlined in the revised VHA Handbook 1143.2, *"Community Nursing Home (CNH) Oversight,"* published in June 2004, which addresses the majority of OIG recommendations concerning the community nursing home program. • VHA implemented a Geriatrics and Extended Care referral instrument and reporting system to monitor appropriate placements in its H/HHA services and other long-term care programs. This monitoring of the appropriateness of placements helps provide assurance that resources for those most in need of H/HHA services are used efficiently. • VA implemented 7 of the 11 recommendations with the publication of the CRC Handbook on March 7, 2005. The remaining initiatives require regulatory changes, which are presently being drafted.

Major Management Challenges - OIG

OIG SUMMARY TABLE

Major Findings & Recommendations	Responses
Strategic Goal #3: Honoring, Serving, and Memorializing Veterans, continued	

OIG #1 - Health Care Delivery Area, continued
Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)

OIG #1E - Security and Safety	
• In March 2002, the OIG issued a series of recommendations to improve overall security, inventory, and internal controls over biological, chemical, or radioactive agents at VHA facilities. • VHA and the Office of Security and Law Enforcement have completed numerous actions, such as issuing research, clinical, and security publications, and constructing a biosecurity training Web site. In addition, VHA provided a certification that all VA medical facilities are in compliance with the policies. We will close the report after VHA develops procedures to forward requests for research articles to facility Freedom of Information Act Officers. • In a review requested by the Environmental Protection Agency (EPA), we found in our March 2004 report varying degrees of effort in conducting water system assessments and security reviews. No VHA facility reported that it coordinated efforts with EPA. Currently one of three recommendations to improve security of water systems on VHA properties remains unimplemented.	• VA expects to publish the revised VHA Handbook 1200.6 by the first quarter of 2006. It details procedures to forward requests for research articles to facility Freedom of Information Act officers. • VHA anticipates issuing a directive based upon the latest guidance from EPA and the Department of Homeland Security to address the remaining recommendation concerning improving the security of water systems on VHA properties by the end of the first quarter of 2006.

Strategic Goal #4: Contributing to the Nation's Well-Being	
The OIG did not identify Major Management Challenges related to this goal.	

Enabling Goal: Applying Sound Business Principles	

OIG #3 - Procurement Area
Access the complete narrative for this challenge by clicking here: http://www.va.gov/budget/report

OIG #3A - Federal Supply Schedule Contracts	
• Preaward and postaward reviews of Federal Supply Schedule (FSS) proposals and contracts continue to show that VA is at risk of paying excessive prices for goods and services unless VA strengthens contract development and administration. During the first half of 2005, preaward reviews of 15 FSS and cost-per-test offers resulted in recommendations that VA contracting officers negotiate reduced prices totaling over $1 billion. • Postaward reviews conducted in the first half of 2005 resulted in cost recoveries associated with contractor overcharges of about $2.3 million.	• VA contracting officers are actively pursuing the OIG preaward audit recommendations and seeking better discounts, terms, and conditions than originally offered. • Additional training has been provided to the contracting staff to reinforce the intent of the FSS program to seek "equal to or better than" the most favored (non-federal, comparable) customer pricing during the negotiating process. • For postaward reviews conducted within the first 6 months of 2005, contracting staff has pursued the overcharges identified by the OIG.

Major Management Challenges - OIG

OIG SUMMARY TABLE

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
OIG #3 - Procurement Area, continued	
Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #3B - Contracting for Health Care Services	
• Our February 2005 summary report of VHA sole-source contracts discussed issues that we identified during preaward reviews of proposals, postaward reviews, and reviews conducted as part of the OIG's Combined Assessment Program. The report addressed general contracting issues including poor acquisition planning, contracting practices that interfered with the contracting officers' ability to fulfill their responsibilities, and contract terms and conditions that did not protect VA's interest; contract pricing issues that resulted in VA overpaying for services; and legal issues, including conflict of interest violations, improper personal services contracts, terms and conditions that were inherently governmental, and contracts that were outside the scope of § 8153 authority. For example, in 2003 the VHA Resource Sharing Office reported that 99 contracts valued at $500,000 or more were awarded. Only 3 of the 99 were referred for a preaward review. • The Under Secretary for Health concurred with the report's findings and recommendations to improve VHA's award and administration of these contracts. Currently, 32 of 35 recommendations remain open.	• VA Directive 1663, Health Care Resources Contracting Buying, is expected to be published and released no later than during the first quarter of 2006.
OIG #3C - Management of Major VHA Construction Contracts	
• Our February 2005 report identified that VHA needed to improve the construction contract award and administration process to ensure price reasonableness, prevent excessive prices, and deter or avoid fraud, waste, abuse, and mismanagement. We reviewed over 30 major construction contracts and identified a risk for excessive prices involving projects valued at $133.6 million. Currently 3 of 17 recommendations remain open.	• Fourteen of the OIG's 17 recommendations were closed by the OIG as a result of actions VHA has taken to strengthen the construction contract process. • The OIG final report was forwarded to all Office of Facilities Management (FM) staff, and it, along with the recommendations, were discussed in a mandatory national conference call in May 2005. • Several FM directives and manuals have been revised with expected publication and issue in the first quarter of 2006.

Major Management Challenges - OIG

OIG SUMMARY TABLE	
Major Findings & Recommendations	**Responses**

Enabling Goal: Applying Sound Business Principles, continued

OIG #3 - Procurement Area, continued
Access the complete narrative for this challenge by clicking here: http://www.va.gov/budget/report)

OIG #3D - Vocational Rehabilitation and Employment Contracts

Major Findings & Recommendations	Responses
• Our February 2005 report found that VA had awarded over 240 VBA Vocational Rehabilitation and Employment contracts to support veterans' access to evaluations, rehabilitation, training, and employment services. Based on contracting vulnerabilities identified, we concluded that VA was at risk of paying excessive prices for services on these contracts. Prices for similar services from the same contractors on prior contracts varied significantly. Base year price increases ranged from 23 to 314 percent. • Voluntary price reductions received from 25 contractors showed that contracting costs could be reduced by as much as 15 percent, which would reduce VA's $45 million in expenditures by $6.8 million over the 5-year term of existing contracts. Currently five of seven recommendations remain open.	• Of the five open recommendations, two items are pending issuance of a directive. • To address the OIG action item on determining price reasonableness, VR&E staff is conducting market research prior to making option renewal determinations. This information will be used to establish base-year prices and annual increases of VR&E contracts. • The remaining two action items relate to internal and management controls. Contractor performance is assessed and quality assurance reviews are performed quarterly to validate that corrective actions have been taken on identified deficiencies.

Major Management Challenges - OIG

OIG SUMMARY TABLE

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
OIG #3 - Procurement Area, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #3E – Contracting & Acquisition Support for Major System Development Initiatives	

Major Findings & Recommendations	Responses
• OIG completed reviews of two major VA system development initiatives in late 2004 and in 2005. • Our August 2004 CoreFLS System review concluded VA did not adequately contract for or monitor the CoreFLS project or protect the Government's interests. We identified systemic inadequacies in the contracting processes and serious weaknesses in contract development. We made 66 recommendations in the report. Twenty-nine of them relate directly to issues identified as major management challenges. Fourteen of these 29 recommendations remain open. • In our March 2005 report, we identified that VA's E-Travel initiative duplicates the General Services Administration's (GSA) efforts to provide E-Travel service options that all Federal agencies must use. We made recommendations to the Assistant Secretary for Management to initiate timely actions to migrate to one of GSA's approved E-Travel options, which could save $7.4 million over the next 10 years. Although all 10 report recommendations remain open, we expect to close the report recommendations in the near future since the Department has taken most of the actions needed to meet the intent of our recommendations or is making significant progress toward implementing the open recommendations. • Our findings showed that both of these projects lacked adequate control, risk management, and senior management oversight because acquisition activities were expedited, while key management and system development controls were omitted or weakened by actions associated with the accelerated pace.	• In April 2005 the Chief Information Officer sent a memorandum to the OIG requesting that the remaining recommendations regarding previous plans for implementation of a new integrated financial management system be closed since the Department was still evaluating what course of action would be most prudent for development and implementation of this type of system. VA has now initiated a 4-year remediation program to eliminate the existing material weakness—Lack of an Integrated Financial Management System. This new program will be referred to as VA's Financial and Logistics Integrated Technology Enterprise (FLITE)—the goal of which is to correct financial and logistics deficiencies throughout the Department. For FY 2006 and 2007, the work associated with FLITE will be primarily "functional" in nature, that is, oriented on planning and the standardization of financial and logistics processes and data. This effort will be led by the Assistant Secretary for Management and will be very labor intensive involving both contractors and Government personnel. During those fiscal years, a detailed review and analysis of software options will also occur and will include "pilot programs" as needed. • In January 2005, VA selected Electronic Data Systems (EDS) from GSA's e-Travel Service (eTS) master contract to provide eTS to VA. Shortly after awarding the task order, VA conducted testing to review the functionality of FedTraveler.com to ensure all items in the "request for quotes" were met. A gap analysis document was provided to EDS, listing all items found deficient by VA. All items are required to be completed before VA will implement FedTraveler.com.

Major Management Challenges - OIG	
OIG SUMMARY TABLE	
Major Findings & Recommendations	**Responses**

Enabling Goal: Applying Sound Business Principles, continued	
OIG #3 - Procurement Area, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #3F - Government Purchase Card Activities	
• In our April 2004 report, we identified additional opportunities to ensure that purchase cards are used properly. Of the eight recommendations, the one to develop and implement procedures and checklists for approving officials to use in monitoring cardholders' use of cards remains unimplemented. • During 2005, OIG CAP reviews continue to show that VA needs to improve controls for the effective administration of the Government purchase card program.	• In 2005 VA's Office of Business Oversight began using data mining techniques to identify potentially questionable purchase card transactions. Transactions identified as questionable, using criteria approved by the OIG, have been provided to station agency/organization program coordinators for research and validation. • Four desk guides for the purchase card program have been signed and placed on the VHA CFO Web site. A VHA handbook issued in June 2005, updates and clarifies procedures for the use of the government purchase card for VHA facilities and program offices. • The last VHA desk guide will be distributed to the field in the first quarter of 2006.
OIG #3G - Inventory Management	
• OIG reviews of inventory management practices have identified significant management challenges involving various supply categories and excessive expenditures of hundreds of millions of dollars. • Our August 2004 Bay Pines/CoreFLS report concluded that in spite of repeated notices by VHA of the need for an efficient inventory management program, the VAMC did not fully or adequately implement VA's Generic Inventory Program (GIP) to manage inventories. • During 2005, OIG CAP reviews continue to identify systemic problems with inventory management caused by inaccurate information, lack of expertise needed to use VA's Generic Inventory Program (GIP), and failure to use the system at some supply points in medical centers. Management of supply inventories was deficient at 36 of 38 facilities tested.	• The Office of Acquisition and Materiel Management has developed a national item file that will force standardized identification for supplies and ensure that all items are accounted for in perpetual inventory accounts; sponsored materiel management seminars that promote the use of and include technical training for GIP; and transferred the supply, processing, and distribution (SPD) program to VHA providing for more authority in managing the SPD program. • In February 2004, VA created the Office of Business Oversight to conduct oversight and monitoring of financial, capital asset management, acquisition, and logistics activities across the Department. • The VHA Chief Logistics Officer continues to monitor inventory issues. To date, all inventories have been certified as implemented. Inventories are being monitored to ensure continued use of GIP, lower levels of inactive and long supply stock, and overall lower dollar value of inventory. • Actions currently underway to address the recommendations include: creation of standardized business processes for inventory management, creation of a national report server, IFCAP/GIP programming changes, separate performance measures for recurring stock vs. just-in-case stock, rewrite of VHA Handbook 1761.2, Inventory Management, and GIP continuing education.

Major Management Challenges - OIG	
OIG SUMMARY TABLE	
Major Findings & Recommendations	**Responses**

Enabling Goal: Applying Sound Business Principles, continued

OIG #4 – Financial Management Area
Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)

OIG #4A - Financial Management Control

Major Findings & Recommendations	Responses
• Annual consolidated financial statements (CFS) audit work continues to report the lack of an integrated financial management system as a VA material weakness. • As a result, CFS work in VA requires significant manual compilations and labor-intensive processes for the preparation of auditable reports and increases the risk of materially misstating financial information. • VA believed that CoreFLS would resolve OIG concerns. Operational testing of CoreFLS began in October 2003 at three VA facilities, with implementation at further sites to be phased in, and full implementation scheduled for March 2006. After our August 2004 Bay Pines/CoreFLS report was issued, VA discontinued implementation of CoreFLS and the test sites resumed operation within VA's existing financial management system in early 2005. Three financial management and control recommendations remain unimplemented. • VA is now evaluating how it will proceed with the deployment of a functioning financial management system. In looking at VA's program response and based on OIG experience with the CoreFLS review, we view the Office of Finance's plan to develop a Web-based single system that will improve the accessibility of financial data, provide ad-hoc reports, and secure access within an integrated computer environment in 2006 as a positive interim step towards correcting the material weakness; but this interim step also represents a formidable major management challenge.	• The Office of Finance is implementing a remediation plan that creates a dual path to substantially reduce material audit weaknesses associated with the lack of an integrated financial management system (refer to page 209 for further information). • The first path focuses on improving the quality and timeliness of VA's financial data by developing a single and centralized Web-based data repository of information that is currently maintained in several different legacy systems. • The second path will reduce the significant manual compilation and labor-intensive processes for the preparation of VA's consolidated financial statements and other standardized automated accounting reports by producing them from a single database using standardized formats; thus decreasing the risk of materially misstating financial information, strengthening reporting controls, automating the collection and consolidation of accounting data, and reducing the lead time required to produce reports. • The remediation plan should reduce the material weaknesses and make VA's financial management system substantially compliant with the Federal Financial Management Improvement Act. • As it pertains to the three open management and control recommendations, the Office of Business Oversight continues to review expenditures made to the CoreFLS vendors and review all travel expenditures submitted by the vendor. The issue of discounts for Phase IV work and/or award fee will be considered within the context of the OIG's continuing investigation of this matter.

Major Management Challenges - OIG

OIG Summary Table

Major Findings & Recommendations	Responses

Enabling Goal: Applying Sound Business Principles, continued

OIG #4 - Financial Management Area, continued
Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)

OIG #4B - Data Validity	
• The Government Performance and Results Act (GPRA) requires agencies to develop measurable performance goals and report results against those goals. Successful implementation requires that information be accurate and complete. • Our July 2005 report indicated outpatient scheduling procedures need to be improved to ensure accurate reporting of veterans' waiting times and facility waiting lists. Of the 505 appointments, only 330 appointments (65 percent) were scheduled with 30 days of the desired date—well below the VHA goal of 90 percent and the medical facilities directors' reported accomplishment of 81 percent. Even though the report was just issued in July 2005, VHA has already completed action on one of eight recommendations. • Until the remaining key measures are reviewed, this issue will remain a major management challenge. While we plan to review a key performance reporting measure annually, VA staff should do a thorough review of the remaining issues and provide the OIG assurance that data validity problems do not exist or have been corrected.	• VA continues to review and take steps to ensure the validity, not only of key performance measures, but of all workload and performance data. • For further information on the Department's efforts to improve its data quality, refer to the "Assessment of Data Quality" section on page 145.
OIG #4C - Workers' Compensation Program	
• VA continues to suffer significant risk for Workers' Compensation Program (WCP) abuse, fraud, and unnecessary costs from inadequate case management and fraud detection. • Our August 2004 report found that ineffective case management and program fraud resulted in potential unnecessary/inappropriate costs to VA totaling $43 million annually. These costs represent potential lifetime compensation payments to claimants totaling $696 million. Additionally, an estimated $113 million in avoidable past compensation payments were made that are not recoverable. • While the Department has begun to take action, only 1 of 15 recommendations is fully implemented.	• VA has implemented significant initiatives to address OIG findings and recommendations. • A Workers' Compensation Strategic Planning Committee was formed in October 2004 and a strategic plan was approved in February 2005 consisting of five strategic goals: case management; return to work; education; partnerships; and identify and reduce fraud, waste, and abuse. The committee meets monthly to review progress toward meeting the goals. • Four of the 15 identified items have already been completed and substantial progress has been achieved on the remaining items.

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Major Findings & Recommendations	**Responses**
Enabling Goal: Applying Sound Business Principles, continued	
OIG #4 - Financial Management Area, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #4D – Federal Energy Management Cost	
• Our March 2005 report found that VA needed to strengthen compliance with Federal energy management policies and improve the reliability of data. We estimated VA could better use $12.9 million annually.	• The Office of Asset Enterprise Management (OAEM) in the Office of Management assumed leadership of VA's energy conservation program in March 2003 and issued a new energy policy directive and handbook in July 2003. • The directive and handbook direct each VA administration to audit 10 percent of its facilities each year, train acquisition and energy management staff, and designate energy managers for each region. • By the first quarter of 2006, OAEM will revise the 2003 policy directive and handbook to reflect the new requirements for federal agencies regarding an annual reduction in energy consumption. • NCA designated an office to serve as the energy liaison with the Department and coordinate NCA's energy program in conjunction with NCA subject matter experts. • VHA has an energy coordinator responsible for the implementation of energy initiatives throughout the Administration. VHA has been working with OAEM to develop a comprehensive energy policy. • VBA designated an energy management official and energy liaisons to serve on VA's Energy Team. The team serves as the point of contact for data collection, analysis, and reporting of VBA energy conservation efforts.

Major Management Challenges - OIG	
OIG SUMMARY TABLE	
Major Findings & Recommendations	**Responses**

Enabling Goal: Applying Sound Business Principles, continued	
OIG #4 - Financial Management Area, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #4E – Medical Care Collections Fund	
• In our December 2004 report, we evaluated the appropriateness of Medical Care Collections Fund (MCCF) first party billings and collections for certain veterans receiving C&P benefits. We found that 89 percent of the veteran cases reviewed had debts referred inappropriately to VA's Debt Management Center because of inaccurate eligibility information regarding the veteran's C&P status in the Veterans Health Information Systems and Technology Architecture system. Currently, two of four recommendations remain unimplemented. • In 2005 OIG CAP reviews examining MCCF activities found deficiencies at 19 of 21 facilities tested.	• During the October 2004 Chief Business Office (CBO) nationwide conference call, guidance was provided instructing field staff to follow up with VBA when new awards are made to determine the effective date of the award. Additionally, during the February 2005 nationwide conference call, the CBO provided specific guidance to field facilities recommending that the Diagnostic Measures First Party follow-up report be run monthly. • The Health Eligibility Center (HEC) staff continues to place a priority on resolving the C&P status changes that require manual resolution. • The combination of continued priority processing of the review file cases and improved automated processing of VBA updates will effectively address the OIG recommendation. • With regards to fee billing, the VHA CBO established a field committee comprised of both field and Central Office staff to identify best practices associated with capturing potentially billable cases and develop automation to support that process. • VBA will continue working cooperatively with VHA to improve and enhance data and information exchange. • During 2005 the Office of Business Oversight (OBO) increased reviews of revenue operations, performing reviews of nine VA medical facilities. OBO also assisted VHA in reducing outstanding third party accounts receivable by performing an analysis of the outstanding receivable balances.

Major Management Challenges - OIG

OIG SUMMARY TABLE

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
OIG #5 – Information Management Security and Systems Area Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #5A - Information Security	
• In our March 2005 report, we identified significant information security vulnerabilities that place VA at considerable risk of denial of service attacks, disruption of mission-critical systems, fraudulent benefits payments, fraudulent receipt of health care benefits, unauthorized access to sensitive data, and improper disclosure of sensitive data. All 16 recommendations for improvement remain unimplemented. • OIG CAP reviews conducted from October 2003 through August 2005 continue to identify information security weaknesses. We have reported security weaknesses and vulnerabilities at 45 of 60 VA health care facilities and 11 of 21 VA regional offices where security issues were reviewed.	• VA is recommending closure of two recommendations contained in the OIG's March 2005 audit report and several issues contained in other recommendations for which corrective action has been implemented. VA is taking significant corrective actions in the following critical areas: certification and accreditation, patch management and vulnerability assessment, technology to protect the VA wired network from wireless devices, intrusion detection, external connections, configuration management, physical security, electronic transmission of sensitive data, and critical infrastructure protection. • It is anticipated that VA's implementation of Federal Information Processing Standards Publication 201 (FIPS 201) requirements will correct concerns about background checks and contract employees as presented in the OIG report. However, this issue has not been finalized by OMB.
OIG #5B - Information Systems Development	
• From April 2004 through March 2005, we issued 42 reports and management letters that cited the need to improve information security, application controls in financial systems, and general controls over access to the VA data centers and operations. • Our August 2004 report on Bay Pines/CoreFLS indicated that the deployment of CoreFLS encountered multiple system development problems. In fact, CoreFLS was deployed at the Bay Pines facility without resolving numerous OIG-reported risks, including inadequate training and concerns about not using a parallel processing system during deployment. Currently, there are eight recommendations that remain unimplemented. • In March 2005, we also reported on VA's implementation of the Zegato Electronic E-Travel Service, disclosing that VA's initial efforts to test and implement the service failed to meet VA's requirements and user needs, and project managers were not effectively managing its implementation. While VA has completed many actions, all 10 recommendations remain open.	• In April 2005 the Chief Information Officer sent a memorandum to the OIG requesting that the remaining recommendations regarding previous plans for implementation of a new integrated financial management system be closed since the Department was still evaluating what course of action would be most prudent for development and implementation of this type of system. VA has now initiated a 4-year remediation program to eliminate the existing material weakness—Lack of an Integrated Financial Management System. This new program will be referred to as VA's Financial and Logistics Integrated Technology Enterprise (FLITE)—the goal of which is to correct financial and logistics deficiencies throughout the Department. • In January 2005 VA selected Electronic Data Systems (EDS) from GSA's e-Travel Service (eTS) master contract to provide eTS to VA. Shortly after awarding the task order, VA conducted testing to review the functionality of FedTraveler.com to ensure all items in the "request for quotes" were met. A gap analysis document was provided to EDS, listing all items found deficient by VA. All items are required to be completed before VA will implement FedTraveler.com.

For further details on OIG-identified Major Management Challenges, please see www.va.gov/budget/report/MMC_Complete.pdf.

The U.S. Government Accountability Office (GAO) evaluates VA's programs and operations. The GAO-identified Major Management Challenges for 2005 are summarized below by strategic goal together with VA's responses. For further details on GAO-identified Major Management Challenges, please see www.va.gov/budget/report/MMC_Complete.pdf.

Major Management Challenges - GAO	
GAO SUMMARY TABLE	
Major Findings & Recommendations	**Responses**
Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans	
GAO #1 - Ensure Access to Quality Health Care Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
GAO #1A - Access to Acute Care, Long-term Care, and Specialized Health Care Services	
• VA needs to strategically plan how best to use its resources and funding to provide equitable access to veterans needing acute care services, while also providing a growing elderly veteran population with institutional and non-institutional long-term care services. • VA also faces challenges in making blind rehabilitation and mental health care services, including those for post-traumatic stress disorder, more widely available to its enrolled veteran population.	• VA continues implementing and refining Advanced Clinic Access, a patient-centered, scientifically based set of redesign principles and tools that enable staff to examine their processes and redesign them. • VA added a network-level performance measure on access to home and community-based care services. • VA continues to monitor multiple workload and other descriptive measures of long-term care programs. Data on unique veterans, visits, census, and eligibility priority groups are now routinely collected and analyzed. • VA continues expanding access to specialty post-traumatic stress disorder (PTSD) care. Thirty-one new or expanded PTSD programs were funded in 2005, including eight new PTSD clinical teams, two new day hospitals, and three new women's programs, in addition to several new Military Sexual Trauma programs. • Thirty-four Returning Veterans Outreach, Education and Care programs are being established in areas where there are high numbers of returning veterans. These programs will provide preventive health training and associated psychosocial supports to returning veterans as well as identify those in need of treatment for specific mental disorders. • VA continues to improve its capacity to make blind rehabilitation services more widely available and to ensure that program data are managed efficiently. Monthly statistical reports on waiting times are being submitted to and monitored by VHA's Blind Rehabilitation Service (BRS). • A directive specifying procedures for processing applications to BRS programs and how to calculate the wait times for admission to inpatient Blind Rehabilitation Centers is expected to be published by the end of the first quarter of 2006.

Major Management Challenges - GAO	
GAO SUMMARY TABLE	
Major Findings & Recommendations	**Responses**

Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans, continued

GAO #1 - Ensure Access to Quality Health Care, continued
Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)

GAO #1B - Patient Safety

Major Findings & Recommendations	Responses
• VA should conduct more thorough screening of the personal and professional backgrounds of health care providers to minimize the chance of patients receiving care from providers who may be incompetent or who may intentionally harm them. • VA needs to strengthen its human subject protections program by addressing continuing weaknesses in the program.	• VA is implementing primary source verification of all licenses, registrations, and certification and expanding the credentialing process for all licensed, registered, and certified health care personnel. • During 2005 VA achieved full compliance in credentialing all physician assistants and advanced practice registered nurses using VetPro. VetPro is VA's Web-based credentialing data bank. Software modifications have been made to VetPro to allow it to serve as a verifying tool for all VHA existing state licenses and national certificates, and staff have been trained in its use. • VA has taken steps to strengthen its human research protection programs including staff training, conference calls, and research program accreditation by the National Committee for Quality Assurance. In 2005, 48 VA facilities were accredited, with the goal of having all facilities accredited by the end of 2006.

Major Management Challenges - GAO	
GAO SUMMARY TABLE	
Major Findings & Recommendations	**Responses**
Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans, continued	
GAO #4 - Improving Veterans' Disability Program: A High-Risk Area Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
GAO #4A - Timeliness and Accuracy	
• VA faces continuing challenges in improving its veterans' disability program. Although some progress has been made, VA is still far from meeting its timeliness goal.	• Progress in achieving timeliness and inventory goals is significantly affected by the increasing numbers of claims being received and the increased complexity of those claims. • The number of veterans filing initial disability compensation claims and claims for increased benefits has increased every year since 2000. • Complexity is a factor, particularly because of evolving legal interpretations of requirements issued by the Court of Appeals for Veterans Claims such as the ruling that required decisions on issues not claimed by the veteran but which are "reasonably raised by the medical evidence of record" ("inferred issues"). • The Veterans Claims Assistance Act, passed in November 2000, increased VA's notification and development duties considerably, adding more steps to the claims process and lengthening the time it takes to develop and decide a claim and also requiring that VA review the claims at more points in the decision process. • In addition to the increased volume and complexity of claims, the number of conditions for which veterans claim entitlement to disability compensation continues to increase. • VA continues to use the national Systematic Technical Accuracy Review (STAR) process to gauge accuracy of claims processing. National training efforts use STAR error trend analyses, and regional office-specific training is offered during site visits.

Major Management Challenges - GAO	
GAO SUMMARY TABLE	
Major Findings & Recommendations	**Responses**
Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans, continued	

GAO #4 - Improving Veterans' Disability Program: A High-Risk Area, continued
Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)

GAO #4B - Consistency of Claims Decisions	
• VA needs to address concerns about possible inconsistencies in disability claims decisions made by its 57 regional offices and better report and use the data on the accuracy of its decisions.	• VA concurred with the recommendations GAO outlined in the November 2004 report, *Veterans Benefits: VA Needs Plan for Assessing Consistency of Decisions*. • VA is examining data and data sources, including data collected from the Rating Board Automation (RBA 2000) system, for development of ongoing systemic reviews for possible inconsistencies. VA developed a detailed plan to identify inconsistencies in decision-making. • In March 2005, a working group of subject-matter experts identified elements needed to measure specific rating criteria for given medical conditions. • Every 2 to 3 years, VA will conduct a thorough review on each of the identified disability areas that pose consistency challenges.
GAO #4C - Staffing Level Justification	
• VA needs to provide more transparency in its justification for staffing levels in the disability compensation and pension program and use better staff attrition data and analysis in its workforce planning.	• VA's planning documents will include more detailed information on areas that impact incoming and completed workload.
GAO #4D - Program Transformation and Modernization	
• VA, along with the Social Security Administration, should seek both management and legislative solutions to transform their programs so that they are in line with the current state of science, medicine, technology, and labor market conditions.	• Congress passed legislation in 2003 to create a commission (the Veterans' Disability Benefits Commission) to study the appropriateness of VA disability and death benefit programs and to provide recommendations for change to Congress and the President. The Commission held its first meeting in May 2005, and has 15 months to issue its final report to Congress.

Major Management Challenges - GAO

GAO SUMMARY TABLE

Major Findings & Recommendations	Responses
Strategic Goal #2: Smooth Transition to Civilian Life	
GAO #2 - Manage Resources and Workload to Enhance Health Care Delivery Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
GAO #2A - Resources and Workload Management	
• VA confronts an accelerating need to manage resources and workload by finding more efficient ways to meet veterans' increasing demand for health care. • VA must continually assess the demand for its services so that it can adequately plan for the number of eligible veterans seeking care.	• VA continues to address ways to better allocate comparable resources for comparable workload through ongoing review and analysis of the Veterans Equitable Resource Allocation (VERA) system. • VA also uses the VA Enrollee Health Care Projection Model to assess future demand and resource needs. VA uses this actuarial-based model to analyze various health care policies, and projections serve as a foundation for VA's health care budget request. To ensure the accuracy of the model, the methodology is continually assessed and refined, and the data sources are regularly updated.
GAO #2B – VA/DoD Efficiencies	
• VA and the Department of Defense (DoD) need to find additional efficiencies through increased sharing of resources and joint purchasing of drugs and medical supplies.	• VA and DoD are working to find additional systemic efficiencies through the increased sharing of resources for the joint purchasing of drugs, non-drug medical supplies, equipment, and services. • The DoD/VA Joint Executive Council (JEC) meets quarterly to identify and explore opportunities for sharing health care resources and business systems. The highest levels of DoD and VA leadership are represented on the JEC, including the Under Secretary of Defense for Personnel and Readiness and the Deputy Secretary of Veterans Affairs. • As of July 2005 there were 84 joint national contracts for pharmaceuticals, with 11 more contracts pending and 19 contracts being proposed for review. • Modifications were completed to all DoD radiology contracts allowing VA to order diagnostic imaging services using these contract vehicles. In the third quarter of 2005, DoD and VA issued 100 joint contract orders for non-drug purchases totaling $47 million. • A plan that includes monitoring and tracking of DoD/VA joint purchases of non-drug medical supplies and equipment was developed and implemented. • DoD and VA have begun working with industry to develop standards for uniform nomenclature and identification of medical and surgical products.

Major Management Challenges - GAO	
GAO SUMMARY TABLE	
Major Findings & Recommendations	**Responses**

Strategic Goal #3: Honoring, Serving, and Memorializing Veterans	
The GAO did not identify Major Management Challenges related to this goal.	

Strategic Goal #4: Contributing to the Nation's Well-Being	
GAO #3 - Prepare for Biological and Chemical Acts of Terrorism Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
• VA has taken a number of steps to help ensure that its facilities and staff are prepared to respond to emergency situations, including biological and chemical acts of terrorism.	• VA completed procurement of 143 pharmaceutical caches located at VA medical centers and continues its decontamination training and procurement program. • VA participated in major governmentwide exercises designed to address response to chemical and biological acts, and has conducted internal Continuity of Operations exercises. • VA published a new Comprehensive Emergency Management program to address continuity of operations, as required by Federal Preparedness Circular 65. • VA also conducted the *Survey Assessment of VA Medical Centers' Emergency Preparedness*. This assessment analyzed data relating to both facility and staff preparedness. • VA completed a manpower analysis of the Department's ability to assign adequate numbers of personnel with requisite skills and training to meet external emergency preparedness commitments without negatively impacting VA's core service delivery and operations during a catastrophic event.

Major Management Challenges - GAO	
GAO SUMMARY TABLE	
Major Findings & Recommendations	**Responses**
Enabling Goal: Applying Sound Business Principles	
GAO #5 - Developing Sound Departmentwide Management Strategies to Build a High Performing Organization Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
GAO #5A - Financial Management Weaknesses: Information Systems Security and Financial Management System Integration	

• Inadequate information security controls continue to place VA's sensitive financial and veteran medical information at risk of inadvertent or deliberate misuse or fraudulent use.
 	
 • The lack of an integrated financial management system impedes VA's ability to prepare, process, and analyze financial information to support the timely preparation of its financial statements. These material internal control weaknesses also contribute to VA's lack of substantial compliance with federal financial management systems requirements under the Federal Financial Management Improvement Act of 1996.
	• VA is taking corrective actions in the following areas of information security:
	   ➢ Certification and Accreditation
	   ➢ Intrusion Detection
	   ➢ Configuration Management
	
	 • VA is implementing a remediation plan that creates a dual path to substantially reduce the material audit weaknesses associated with the lack of an integrated financial management system.
	
	 • The first path focuses on improving the quality and timeliness of VA's financial data by developing a single and centralized Web-based data repository of information that is currently maintained in several different legacy systems.
	
	 • The second path will reduce the significant manual compilation and labor-intensive processes for the preparation of VA's consolidated financial statements and other standardized automated accounting reports by producing them from a single database using standardized formats, thus decreasing the risk of materially misstating financial information, strengthening reporting controls, automating the collection and consolidation of accounting data, and reducing the lead time required to produce reports.
	
	 • The remediation plan should reduce the material weaknesses and make VA's financial management system substantially compliant with the Federal Financial Management Improvement Act.

Major Management Challenges - GAO

GAO SUMMARY TABLE

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
GAO #5 - Developing Sound Departmentwide Management Strategies to Build a High Performing Organization, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
GAO #5B - Enterprise Architecture Documentation	
• Key documentation critical to effectively implementing and managing the architecture needs to be finalized, and policies and guidance for ensuring sound management of VA's investment portfolio need to be completed.	• VA completed development of Enterprise Architecture (EA) Version 4.0. The final draft was submitted to OMB in May 2005. This incorporates graphic representation of VA business processes, as well as implementation of both sharable service components and technical "pattern" solutions as prescribed within the OMB System Reference Model and Technical Reference Model. • VA completed OMB's EA "Completion and Use Plan" and a self assessment of OMB's EA Capability Maturity Model (CMM). VA submitted these plans to OMB in May 2005. They detail VA's recent EA accomplishments and planned EA improvements through May 2007. VA received a score of 3.0, a substantial improvement in its CMM score. • Within EA Version 4.0, substantial progress has been made toward EA influencing the capital investment process and the project milestone review process. The full EA Version 4.0 Web portal was provided to GAO in July 2005.
GAO #5C - Performance Measures	
• VA also faces the challenge of establishing performance measures that show how well its IT initiatives support veterans' benefits programs.	• In health care, VA received national recognition as a result of groundbreaking achievements in the areas of technology-dependent bar coding, computerized records, and telemedicine. • VA is working with DoD to improve information sharing and significantly expedite the transfer of medical records and other information to VA. • VA put more than 3 million interment records, dating back to the Civil War, on its National Cemetery Administration Web site. Through the use of information technology, the Nationwide Gravesite Locator allows a user to find a veteran's gravesite quickly and easily using only the name of the deceased veteran.

Major Management Challenges - GAO

GAO SUMMARY TABLE

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
GAO #5 - Developing Sound Departmentwide Management Strategies to Build a High Performing Organization, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
GAO #5D – VA/DoD Information Sharing	
• VA is proceeding with efforts to share electronic health information for veterans and active-duty servicemembers, but faces the challenge of clearly defining its strategy and technological approach to realize this exchange of information.	• VA and DoD have made significant progress toward implementing a strategy to achieve interoperability of health information. This strategy is known as the VA/DoD Joint Electronic Health Records Interoperability plan. The Departments are working to achieve interoperability between data repositories. • Since May 2002, DoD has transmitted military health record data on over 3 million unique and separated servicemembers. The data are stored in a secure shared repository and are available for viewing by VA clinicians. As of the third quarter of 2005, over 1 million of those patients had presented to VA for care. In addition, in October 2004, VA and DoD first implemented the Bidirectional Health Information Exchange (BHIE). BHIE now supports the bidirectional exchange of outpatient pharmacy, laboratory results, text-based radiology results, and allergy information. BHIE is presently installed at all VA facilities; VA is working closely with DoD to conduct additional installations at locations where shared patients present for care. To support this exchange of information, VA and DoD have also entered into a memorandum of understanding (sponsored by both the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and the privacy programs of both of the departments) that outlines the specific authorities to share information under applicable privacy regulatory requirements. • Efforts are underway to provide VA access to claimants' personnel information found in the Defense Integrated Military Human Resources System through the DoD/Defense Manpower Data Center interface when it is fielded in late 2005. • VA has already interfaced with the imaged Official Military Personnel Files for the Army, Navy, and Marine Corps via the VA Personnel Information Exchange System and the Defense Personnel Records Image Retrieval System. The result is early identification of recently discharged DoD servicemembers. In just 3 days, VA can verify the honorable discharge status of the servicemember as contrasted with 90 days without the shared information system.

Major Management Challenges - GAO	
GAO SUMMARY TABLE	
Major Findings & Recommendations	**Responses**

Enabling Goal: Applying Sound Business Principles, continued

GAO #6 - Protecting the Federal Government's Information Systems and the National's Critical Infrastructures: A High-Risk Area
Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)

Major Findings & Recommendations	Responses
• This area continues as a governmentwide high-risk area. • Additional federal agency and governmentwide efforts are needed to establish effective information security programs that are consistent with the Federal Information Security Management Act of 2002 (FISMA), including allocating sufficient agency resources and monitoring policy and control effectiveness. • Federal cyber critical infrastructure protection actions should also include developing policy and guidance, improving analysis and warning capabilities, enhancing trusted relationships, promoting productive information sharing, and identifying R&D requirements. *(**Note:** GAO feedback here is not VA-specific.)*	In accordance with FISMA, VA has established an agency-wide information security program that establishes the following: • Policies, procedures, and guidelines that reduce risk to an acceptable level, ensure that security is addressed throughout the life cycle of each Department information system, and ensure compliance with applicable statutes and executive branch directives. • Security plans for the Department's information systems. • An on-line, Departmentwide cyber security awareness module, which is updated annually and used as a means to satisfy the requirement for annual security awareness training. • Periodic testing and evaluation of the effectiveness of the Department's information security program and a process for planning, implementing, evaluating, and documenting remedial action to address information security deficiencies. • Procedures for detecting, reporting, and responding to security incidents. • Plans and procedures to ensure continuity of operations through a national incident response capability. • Departmentwide and local contingency planning initiatives.

Major Management Challenges - GAO

GAO Summary Table	
Major Findings & Recommendations	**Responses**
Enabling Goal: Applying Sound Business Principles, continued	
GAO #7 - Federal Real Property: A High-Risk Area Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	

Major Findings & Recommendations	Responses
• Federal real property continues as a governmentwide high-risk area. • Efforts to address the problems have been initiated including a Presidential Executive Order on real property reform and OMB's development of guiding principles for real property asset management. • GAO continues to believe that there is a need for a comprehensive, integrated transformation strategy for real property. *(Note: GAO feedback here is not VA-specific.)*	• In June 2004 VA produced its first 5-year capital plan (FY 2004-2009), a systematic and comprehensive framework for managing the Department's portfolio of more than 5,500 buildings and approximately 32,000 acres of land. • VA's asset management plan, approved by OMB in December 2004, serves as a companion document to the 5-year capital plan and provides information on the following: ➢ The Department's capital budget. ➢ The VA capital asset management philosophy. ➢ A description of VA's capital portfolio goals. ➢ A description of the important elements found in the business case (OMB Exhibit 300). ➢ Illustration of the actions being taken by VA to improve the formulation and operational management of its portfolio. ➢ A description of VA's sustainment model. ➢ A description of the valuation mechanism used at VA. ➢ A description of the human capital strategies employed, including the policies developed to govern asset management at VA. • VA has also taken the following actions over the past several years: ➢ Created the Office of Asset Enterprise Management (OAEM) to promote capital programming strategies. ➢ Created the Office of Business Oversight within the Office of Management, combining multiple functions into a single office and also streamlining field operations. ➢ Established Capital Asset Managers at the regional level. ➢ Established CARES and CARES Re-Use process designed to identify VA infrastructure needs for the 21st century.

Major Management Challenges - GAO

GAO SUMMARY TABLE

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	

GAO #8 - Strategic Human Capital Management: A High-Risk Area
Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)

Major Findings & Recommendations	Responses
• Strategic human capital management continues as a governmentwide high-risk area. • Agencies—working with the Congress and OPM—must do the following: ➢ Assess future workforce needs, especially in light of long-term fiscal challenges. ➢ Determine ways to make maximum use of available authorities to recruit, hire, develop, and retain key talent to meet their needs. ➢ Build a business case to request additional authorities as appropriate. ➢ Reform performance management systems to better link organizational and individual results. ***(Note: GAO feedback here is not VA-specific.)***	• VA implemented a Web-based workforce and succession planning process at all levels of the Department. Each organizational plan identifies strategies, challenges, mission-critical occupations, and action plans to address gaps. • VA developed revised qualification standards for 21 occupations covering over 18,000 employees; we are collaborating with our labor organizations, as required by law, over implementation. • VA negotiated a mid-term contract change with the American Federation of Government Employees. This change would implement a five-tier performance appraisal system in place of the current pass/fail system, strengthen managers' ability to reward through pay for performance, and ensure individual employee performance standards are more closely aligned with organizational goals.

GAO #9 - Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security: A High-Risk Area
Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)

Major Findings & Recommendations	Responses
• This is a new governmentwide high-risk area for 2005. • Strategies should be developed to address the following: ➢ Information-sharing challenges, including establishing clear goals, objectives, and expectations for participants in information-sharing efforts. ➢ Consolidating, standardizing, and enhancing federal structures, policies, and capabilities for the analysis and dissemination of information, where appropriate. ➢ Assessing the need for public policy tools to encourage private-sector participation. ***(Note: GAO feedback here is not VA-specific.)***	• Memoranda of understanding have been established between VA, the Bureau of Indian Affairs, DoD, and the Department of Health and Human Services to improve information exchange and sharing arrangements. • VA's large medical centers have entered into a number of cooperative agreements with local community first responder organizations. • VA is planning for the next generation of telecommunications services that will more closely adhere to national standards-based programs. • VA actively participated in drafting the National Response Plan (NRP) and interacts regularly with the NRP lead agencies. • VA maintains a full time presence at the Homeland Security Operations Center. • VA completed installation of the Disaster Management Interoperability Service in its two primary readiness operations centers.

Major Management Challenges - GAO	
GAO SUMMARY TABLE	
Major Findings & Recommendations	**Responses**
Enabling Goal: Applying Sound Business Principles, continued	
GAO #10 - Management of Interagency Contracting: A High-Risk Area Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
• This is a new governmentwide high-risk area for 2005. • Specific and targeted approaches are needed to address interagency contracting risks. • Roles and responsibilities for managing interagency contracts need clarification. • Agencies need to adopt and implement policies and processes that balance customer service with the need to comply with requirements. (**Note**: GAO feedback here is not VA-specific.)	• VA has a long-standing internal requirement for review and approval of all proposed interagency agreements in a non-codified section of the VA Acquisition Regulation. • VA has also issued guidance to contracting officers on the use of interagency agreements.

For further details on GAO-identified Major Management Challenges, please see www.va.gov/budget/MMC_Complete.pdf.